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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarter Ended March 31, 1992

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required]

For the transition period from _____ to _____

Commission file number 0-13939

CIRCADIAN, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-2619163
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3942 North First Street, San Jose, California 95134
(Address of principal executive offices)

Registrant's telephone number, including area code: (408) 943-9222

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No ____

On March 31, 1992 the registrant had outstanding 4,740,718 shares of Common Stock of $0.01 par value, which is the registrant's only class of Common Stock.

This report on Form 10-Q, including all exhibits, contains 9 pages. The index is located on page 2 of this report.

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CIRCADIAN, INC.

FORM 10-Q

Third Quarter

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CIRCADIAN, INC.

BALANCE SHEETS
March 31, 1992 and June 30, 1991
(in thousands)

	Mar 31, 1992	June 30, 1991
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$275	$1,556
Accounts receivable, net	1,368	2,235
Inventories, net	2,642	1,896
Prepaid expenses and other	184	143
Total current assets	4,469	5,830
Long-term receivables, net	132	286
Property and equipment, net	57	117
Investment in joint venture	129	-
	$4,787	$6,233
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$1,335	$1,699
Accrued liabilities	1,594	1,827
Deferred service contract revenue	471	395
Total current liabilities	3,400	3,921
Convertible subordinated notes	953	819
STOCKHOLDERS' EQUITY		
Common stock	47	47
Additional paid-in capital	12,612	12,602
Accumulated deficit	(12,225)	(11,156)
Total stockholders' equity	434	1,493
	$4,787	$6,233

See accompanying notes

CIRCADIAN, INC.
STATEMENTS OF OPERATIONS

Three months and nine months ended March 31, 1992 and 1991
(in thousands except for per share figures)

	Three Months Ended		Nine Months Ended	
	1992	1991	1992	1991
NET SALES	$3,119	$3,633	$9,088	$10,713
COSTS AND EXPENSES				
Cost of goods and services	1,366	1,556	4,321	5,041
Sales and marketing	1,236	1,222	4,164	3,863
Research and development	142	164	512	523
General and administration	355	740	1,154	1,561
Interest income, net	14	(20)	6	(39)
Total costs and expenses	3,113	3,662	10,157	10,949
NET INCOME (LOSS)	$6	($29)	($1,069)	($236)
NET INCOME (LOSS) PER SHARE	$0.001	($0.01)	($0.23)	($0.05)
Weighted average shares outstanding	5,149	4,685	4,734	4,631

See accompanying notes

CIRCADIAN, INC.
STATEMENTS OF CASH FLOWS

Nine months ended March 31, 1992 and 1991
(in thousands)

	1992	1991
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	($1,069)	($236)
Reconciliation of net loss to net cash provided by, (used in) operating activities:		
Depreciation and amortization	63	116
Accrued interest of convertible subordinated notes	34	34
Changes in:		
Accounts receivables	867	(499)
Inventories	(746)	626
Prepaid expenses and other	(41)	(129)
Accounts payable	(364)	404
Accrued liabilities	(233)	(52)
Deferred service contract revenue	76	(105)
Total	(344)	395
Net cash provided by (used in) operating activities	(1,413)	159
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditures	(3)	-
Investment in joint venture	(129)	-
Net cash used in investing activites	(132)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from subordinated notes	100	-
Change in long-term receivables	154	437
Exercise of warrants	-	1
Proceeds from the employee stock purchase plans, net of repurchases	10	7
Net cash provided by used in financing activities	264	445
Net increase (decrease) in cash and cash equivalents	(1,281)	604
Cash and cash equivalents at beginning of period	1,556	1,102
Cash and cash equivalents at end of period	$275	$1,706

See accompanying notes

CIRCADIAN, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 1992

1. Interim financial statement presentation

In the opinion of management, the accompanying interim financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the Company's financial position at March 31, 1992, and its results of operations for the three months and nine months ended March 31, 1992 and 1991 and cash flows for the nine months ended March 31, 1992 and 1991. The results for interim periods are not necessarily indicative of the results for the entire year. The financial statements included herein should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1991.

2. Inventories

Inventories consist of (in thousands):

	March 31 1992	June 30 1991
Raw materials	$772	$798
Work in process	63	51
Finished goods	1,249	551
Demonstration inventory	615	496
	$2,644	$1,896

3. Computation of weighted average shares outstanding

Net loss per share has been calculated based on weighted average number of common shares outstanding during the periods. Common equivalent shares have not been included in the calculation of loss per share as their effect would be anti-dilutive.

CIRCADIAN, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Circadian, Inc. (the "Company") was founded in 1979 as a California Corporation and made its first shipment of diagnostic medical equipment in 1981. It was subsequently reincorporated in Delaware in 1985. With the maturing of the market for its initial product, the Holter monitoring system, the Company imparted upon a strategy to broaden its product line by internal development and by acquiring products which can be functionally enhanced and manufactured by the Company at a lower cost. In fiscal 1990, the Company began to offer ultrasound imaging products. In the first quarter of fiscal 1992, the Company started to sell two new products, a surgical laser and an enhanced diagnostic ultrasound product, both of which are manufactured by others. The Company has equipment installed in approximately 6,000 physician's offices, clinics and hospitals.

The Company's products include: Holter systems used to monitor and analyze a patient's heart activity over a 24-hour period; ultrasound systems used primarily to scan patients' abdominal and pelvic organs, heart, breasts, testicles, and carotid arteries for abnormalities; stress testing systems used for analyzing a patient's heart activity during exercise; ambulatory blood pressure monitoring systems used to record blood pressure information over a 24-hour period; vascular testing systems used for diagnosis of the circulatory system in the legs, arms and neck; pulmonary function testing systems used for evaluation and tracking of lung diseases; resting and interpretive electrocardiograph machines used for routine in-office evaluation of heart functions; and a laser used for minor surgery in the primary care office.

The Company's nationwide sales force of direct sales representatives and managers sell diagnostic equipment directly to domestic, private-practice physicians, clinics and hospitals. The Company sells to international markets through distributors.

Results of Operations

Third quarter of fiscal 1992 compared to same period of fiscal 1991

The Company recorded $6,000 in net income for the third quarter of fiscal 1992 principally related to lower operating cost and increased international sales which have lower revenue related selling costs. The Company's net sales were down by 14.2% because of price erosion, competitive pressure and general economic conditions. There was also market confusion and a related slowing of sales caused by changes in Medicare reimbursement policies. International sales were up by $556,000. Domestic net sales for the quarter declined 39.6% compared to the same period of fiscal 1991. Holter sales were down; 18.5% of net sales vs 25.7% of net sales from the prior quarter, because of price erosion and competitive pressures. ScanMate II ultrasound product sales were down; 2.5% of net sales vs 25.2% of net sales from the prior quarter, because the domestic market has reached maturity for this specific product. To overcome these declines, the Company introduced the laser and Medison ultrasound products in fiscal 1992 which contributed 10.2% and 7.6% of net sales respectively during the nine month period. Service revenue as a percent of net sales was 14.2% compared to 17.6% in the corresponding quarter of the prior fiscal year.

The gross margin in the third quarter of fiscal 1992 was 56.2%, compared to 57.2% for the same period of the prior fiscal year. This was primarily caused by price erosion in the Holter product line, the sale of lower margin products and lower revenues without a corresponding decrease in period manufacturing costs.

Sales and marketing costs were up by $14,000 over the same period in fiscal 1991 primarily because of expenses related to developing international markets. General and administrative cost decreased by $385,000 because of tighter expense controls, reduction in head count, and charges related to a proxy contest in 1991 which did not occur in fiscal 1992. Research and development costs decreased by $22,000. During the quarter, the Company reduced the number of total employees from the preceding quarter by 18 to a total of 90.

In February 1992, the Company entered into a joint venture agreement with Medison Korea, Ltd. and established a California corporation called Medison America, Inc. of which the Company owns 49%. Medison America entered into a distribution agreement with Circadian whereby Circadian agreed to distribute certain Medison ultrasound product in the United States. The Company contributed demonstration equipment and fixed assets as its capital contribution, and recognized $14,000 of costs associated with its minority interest in Medison America.

First nine months of fiscal 1992 compared to the same period of fiscal 1991

Net sales were down by 15.2% due to weak domestic sales for all product lines. This was caused by the confusion in the market related to insurance cost reimbursements and general economic conditions. During the nine month period, the newly introduced laser and Medison ultrasound products contributed a total 17.8% of net sales. Holter contributed 23% vs 31.9% of net sales in the nine month period of fiscal 1991. ScanMate II contributed 9% vs 24.4% of net sales in the nine month period of fiscal 1991. International sales were up by 217.1% ($925,000), principally related to sales to a distributor in the Far East. Gross margin for the period decreased .5% because less refurnished inventory was sold and price erosion. Total sales and marketing costs increased as the Company incurred additional costs related to market introductions of the laser and Medison products. Research and development costs were down. General and administrative costs were down 26% from the corresponding prior period as the Company downsized the organization by 25.6% and did not incur the expenses related to the fiscal 1991 proxy contest.

LIQUIDITY AND CAPITAL RESOURCES

The Company funded operations in fiscal 1991 through better working capital management, extending accounts payable and the sale of refurbished inventory. During the first quarter of fiscal 1992 product sales were lower than expected due to delays in the introduction of the new laser and ultrasound products. This resulted in lower net sales and a loss for the quarter of $860,000. In the second quarter net sales increased. However, sales and marketing expenses were also up causing a net loss of $215,000. In the third quarter, net income was $6,000. The year to date loss was $1,069,000. Inventory increased to $2,644,000 from $1,896,000 to support the new product introductions. Funding these quarterly loses and the increase in inventory resulted in cash decreasing by $1,281,000 to the current balance of $275,000. Working capital decreased from $1,909,000 as of June 30, 1991 to $1,069,000 on March 31, 1992. In February 1992, the Company entered into a $100,000 secured loan

agreement with the Walden Group. The Company is currently seeking financing to fund product introductions, expand the sales organization, purchase demonstration inventory and for working capital purposes. There can be no assurance that additional financing will be available, and if available would be obtained on favorable terms which do not involve significant dilution to current stockholders. As discussed in Note 1 to the financial statements of the Company as contained in its Annual Report on From 10-K, there is substantial doubt that the Company will be able to continue as a going concern if adequate funding can not be obtained on a timely basis.

The Company is not capital intensive. Fixed asset additions were $18,000 for the nine month period ended March 31, 1992, which were funded through working capital.

CIRCADIAN, INC.

PART II

OTHER INFORMATION

Item 5: On April 24, 1992 the Company's Board of Directors expanded the number of Board seats to four, elected Richard W. Wirth, a turnaround manager, to the Board and appointed him interim President and Chief Executive Officer. Dr. Peter H. Chang, the former CEO, remains as a director and has assumed a leadership role for International sales to Pacific Rim countries. The Board also elected Mr. George Sarlo as Chairman of the Board. Mr. Neill Brownstein continues as a Board Member.

Item 6: Exhibits and Reports on Form 8-K. No reports of Form 8-K were filed during the quarter.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

CIRCADIAN, INC.

May 13, 1992

By: _____
Richard W. Wirth, President and
Chief Executive Officer

May 13, 1992

By: _____
David L. Robertson
Vice President, Chief Financial Officer
and Principal Accounting Officer